

The 31st Annual General Meeting — 11 November 1908

Minutes of the Annual General Meeting held in the Assembly Room, Guardian Buildings on Wednesday, 11<sup>th</sup> Nov. 1908 at 8 P.M.

Present: All the Directors and about 100 Shareholders  
On the motion of Mr. Cogan Mr. Lewis was voted to the Chair

The Secretary read the notice convening the meeting  
The Chairman having called upon the Secretary to read the reports, it was moved by Mr. Cogan that the reports be taken as read  
Carried.

The Chairman having given an exhaustive report on the affairs of the Society previous to which the Auditor's report had been read, moved the adoption of the report, which was seconded by Mr. Olive.

Mr. Cogan made a long speech criticizing the report, which was replied to by the Chairman, Mr. Olive, & Mr. J. H. Webber, after which the report was adopted, three being, one dissentient.

Mr. J. H. Webber proposed that the three retiring Directors be re-elected.  
Mr. Cogan nominated Mr. Herbert Green as a director, seconded by Mr. Searnshead.

Messrs D. B. Shand & Professor Cox were appointed scrutineers, and on their return after examining the votes & Papers, the Chairman announced the issues of the Polls: H. Hill 126, J. H. Nicholls 123, H. Green 120, J. R. Shaw 106, and declared that Messrs Hill, Nicholls & Green were elected Directors.  
The Chairman read a letter from Mr. H. J. Kirkpatrick resigning his position as auditor.

Mr. Nicholls proposed that Mr. F. F. Everett be appointed as Auditor in place of Mr. Kirkpatrick, seconded by the Rev. Mr. Downley. Carried.  
Mr. H. Hill proposed that Mr. B. Everett Gile be re-elected as Auditor, seconded by H. J. Cole. Carried.

Mr. Cogan moved, seconded by Mr. H. J. Cole that the retiring Directors take into their consideration the matter of the payment of the Office Clerk, intimating the desire of the Shareholders that he be paid by the Society.

Minutes of the Special General Meeting of the Shareholders held immediately after the conclusion of the General Meeting.  
The Chairman explained the reason for calling the meeting which was to effect an alteration in Rule No. 6 as follows, by adding after the word Auditors in the second line from the bottom "Act as the paid agents of any shareholder in any matter connected with the business of the Society" or &c.

The Chairman moved, seconded by Mr. Olive that the resolution be made  
Carried

A vote of thanks to the Chairman & Directors moved by Mr. Cogan and carried unanimously closed the meeting.

H. G. Lewis  
Chairman

2/11/08

"Present: All the Directors and about 100 shareholders."



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## GBS MUTUAL BANK

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GRAHAMSTOWN 6139 GRAHAMSTOWN 6140

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### BOARD OF DIRECTORS:

C K M STONE	(CHAIRMAN)
A M VORSTER	(MANAGING)
G H BLOEM	
P G CLAYTON	
P HORNBY	(EXECUTIVE)
H A LONG	
T C S TAGG	
K L WIBLIN	

### MANAGEMENT STRUCTURE

A M VORSTER

MANAGING DIRECTOR

P HORNBY

EXECUTIVE DIRECTOR

Compliance Officer  
Treasury  
Administration  
Rentals  
Leasing and Hire Purchase

A B BOWKER

GENERAL MANAGER

Advances  
Investments  
Marketing

W S VALLANCE

GENERAL MANAGER

Cape Town

The GBS Mutual Bank is an Authorised Financial Services Provider

# CHAIRMAN'S REPORT TO SHAREHOLDERS



**I**t is my pleasure to report to our Shareholders on the performance of our Mutual Bank for the year ended 31<sup>st</sup> March 2008.

During this period we have experienced four increases in the Reserve Bank's repo rate resulting in an increase of 2% in the prime overdraft rate, as well as a varying stock market and burgeoning oil and food prices. In addition there was a very serious collapse in the supply of electricity by Eskom causing severe problems to mining, industry and commerce. The Reserve Bank's attempt to slow down inflationary increases by increasing interest rates has still to run its course and it appears that for some time our country will be faced with relatively high interest rates.

Our Bank has had an excellent year as will be seen from the Financial Statements and the Report of the Directors. I will comment only on a few of the aspects of the annexed Financial Statements. More detail is contained in both the Report of the Directors and the notes accompanying the Financial Statements.

## ASSETS EXCEED R650 MILLION

The Bank experienced steady growth in the past year in its assets which at the end of the financial year stood at R659 million. The growth in our advances and assets is a direct result of the continuing support the Bank enjoys in its demand for deposits particularly share deposits. The share deposits grew to R231,7 million (2007: R195,7 million) and other deposits to R362,2 million (2007: R361,6 million).

## ADVANCES

The Bank's advances increased by about R31 million to R492,4 million. In the past few years there has been considerable competition between banks for quality mortgages, instalment sales and rentals. Although there has been a slight decline in general advances, your Board is satisfied with the increase in the total of advances to R492,4 million (2007: R461,5 million)

The Bank is streamlining the credit granting process for the benefit of our borrowers without derogating from the Bank's policy of prudent lending.

It is pleasing to report that for the second year running the Bank had no properties in possession mirroring the property market conditions which prevailed during the year. However, with the substantial rise in the lending rates which have taken place, and the likelihood of further rates increases, the incidence of default on loans in the forthcoming year is likely to increase.

## PROFITABILITY AND RESERVES

The Bank had its most profitable year on record and the pre tax profit amounted to R9,43 million (2007: R6,65 million) with an after tax profit of R7,58 million (2007: R5,19 million). These profits were boosted by an insurance policy referred to in the Report of the Directors. This profit has now been added to the Bank's existing reserves and the reserves now stand at R55,2 million (2007: R47,7 million).

## LIQUIDITY

The Bank continues to retain sufficient liquidity to meet contingencies and it held R83,4 million cash in short term funds and R77,3 million in investments. This is adequate for the Bank's requirements.

## MANAGEMENT

During the year under review Tom Tagg had reached retirement age and stepped down as Chief Executive Officer as from 31<sup>st</sup> October 2007. Tom had a very distinguished career as CEO of the Bank and the Bank is in the fortunate position that Tom has agreed to stay on as a Non-Executive Director and has allowed himself to be used as a consultant.

As from 1<sup>st</sup> November 2007, Anton Vorster became Managing Director and CEO of the Bank. Anton has settled in to his position well and the Bank is looking forward to many years of service from him.



*Mr C K M Stone  
Chairman*



## CHAIRMAN'S REPORT TO SHAREHOLDERS – (continued)

Patrick Hornby, as Executive Director, has efficiently and successfully continued to run the Asset Based Finance portfolio. He also has the onerous task of being the Bank's Compliance Officer and has ensured that the Bank is compliant with the regulations which are promulgated from time to time.

Both Andrew Bowker and Bill Vallance, in their capacities as General Managers have continued to carry out their duties for the benefit of the Bank.

### BOARD OF DIRECTORS

As Chairman I have been blessed to have with me on the Board persons of such quality as Messrs. A M Vorster (Managing), P Hornby (Executive), T C S Tagg, H A Long, P G Clayton, G H Bloem and Mrs K L Wiblin. Once more I must thank them for their guidance and input in the affairs and policy making of this Bank.

I record my thanks and appreciation to Tony Long for chairing the Audit Committee and Kerry Wiblin and Gerald Bloem for their input on the Audit Committee.

Peter Clayton has done a sterling job as Chairman of the IT Committee and overseeing the introduction of new software onto the Bank's computer systems.

Each Non-Executive Director continues to chair the Risk Management Sub-Committee for a month in turn, thereby ensuring that besides the input obtained at the monthly Board Meetings, they are well aware of the risks facing our business from time to time.

### CAPE TOWN

Bill Vallance as General Manager and Chairman of the Cape Town Local Board once more ensured that the Cape Town Branch made a meaningful contribution towards the Bank's overall achievements. His fellow Branch Directors, namely Louis Grammar and Karl Sloth-Nielsen are thanked for their continued dedication to the success of our Bank.

### PORT ELIZABETH

Karin Muller as the Port Elizabeth Branch Manager continues to grow the Bank's bond portfolio in that area. Her efforts are appreciated and the Bank looks forward to having an increased presence in the Nelson Mandela Metropolitan area.

### PORT ALFRED

As reported last year the Bank purchased from Joan van Niekerk the Port Alfred Agency and since then Joan van Niekerk has managed the Port Alfred Branch. She and her staff have been particularly successful on the liability side of the balance sheet and for the first time the Port Alfred deposits and share deposits exceeded R100 million. The Board is confident that on the deposit side the Port Alfred Branch will continue growing. Management is considering the steps to be taken to increase advances in the Port Alfred area.

### BANK'S AGENTS

Agents perform a particularly useful function for the Bank. They service clients in those areas where there is no branch of the Bank. We are most grateful to them for their continued support.

### STAFF

The past year has seen changes in our senior staff complement with the retirement of Paddy Page and Graham Richardson. Anton Vorster has taken over from Tom Tagg and Elmarie Behr has taken over Graham Richardson's portfolio.

We are fortunate to have a competent and able staff and the reports I receive from the public indicate that at all times they strive to ensure the Bank's reputation for excellent service.

I am extremely grateful for their efforts.



#### AUDITORS

I thank the Bank's auditors, Messrs PricewaterhouseCoopers Inc, for their help and advice at all times and for ensuring the audit requirements are met.

#### FAREWELL

The Board has requested me to remain on as Chairman until December 2008 when the Board wishes Tom Tagg to become Chairman. I thank all those who have supported me and encouraged me to serve the GBS since I became a Director in 1968 and more importantly since I became Chairman in 1985. Several financial experts suggested that the days of small Banks were numbered and that

in the modern South African economy they could not survive. The GBS has proved them wrong and I consider the greatest achievement of our Bank in my time has been to remain independent and prosper. The Head Office and Management of the Bank has remained in Grahamstown where it belongs and may it stay in Grahamstown for evermore.

I am confident that the GBS with Tom Tagg as Chairman, Anton Vorster as CEO and with the quality of our Board, our Bank will go from strength to strength.

*C K M STONE*  
CHAIRMAN



*The Board of Directors – May 2008. From left to right they are (front): Anton Vorster, Chris Stone and Tom Tagg and (back) Pat Hornby, Gerald Bloem, Peter Clayton, Kerry Wiblin and Tony Long.*



## DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

**T**he directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and the related information. The auditors are responsible to report on the fair presentation of the financial statements. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Mutual Banks Act, 1993.

The directors are also responsible for the Bank's systems of internal financial and operational control. These systems are designed to provide reasonable, but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of the assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements have been prepared on the going concern basis, since the directors have every reason to believe that the Bank has adequate resources in place to continue in operation for the foreseeable future.

The attached annual financial statements set out on pages 8 to 44 were approved by the board of directors on 20 May 2008 and are signed on its behalf by:

A handwritten signature in black ink, appearing to read 'C K M Stone'.

C K M STONE  
Chairman

A handwritten signature in black ink, appearing to read 'A M Vorster'.

A M VORSTER  
Managing Director

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GBS MUTUAL BANK



## Report on the financial statements

We have audited the annual financial statements of GBS Mutual Bank, which comprise the directors' report, the balance sheet, the income statement, the statement of changes in equity and the cash flow statement, and a summary of significant accounting policies and other explanatory notes, for the year ended 31 March 2008 as set out on pages 8 to 44.

## Directors' responsibility for the financial statements

The Bank's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Mutual Banks Act, 1993. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank at 31 March 2008 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Mutual Banks Act, 1993.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers Inc'.

PricewaterhouseCoopers Inc.  
Director: L J Rossouw  
Registered Auditor

Port Elizabeth  
20 May 2008



## REPORT OF THE DIRECTORS

### NATURE OF BUSINESS

MORTGAGE LENDING

ASSET BASED FINANCE

MOTOR VEHICLE FINANCE

SAVINGS AND INVESTMENTS



*Mr A M Vorster  
Managing Director*

### ECONOMY

We have come through a period of strong growth in the economy, with property prices and listed equities showing extraordinary growth. However, the economic climate in which we operate has turned in recent times.

The latter half of 2007 saw inflation rising significantly above the upper limit of the inflation target set by the South African Reserve Bank and in March this year broke the psychological 10% barrier. The Monetary Policy Committee has responded by increasing interest rates from 12,5% a year ago to the current 15%. Nationally this has severely dampened the demand for credit and resulted in a continued rise in defaulting retail debt.

The interest rate cycle may be nearing its peak, but there are a number of factors that could change the outlook. In particular, the global demand for oil has pushed the price to record levels, food inflation continues to surprise on the upside, and tariff hikes from the national electricity supplier are expected to exceed inflation. These and other factors are likely to keep consumers under pressure for some considerable time.

The banking system has remained sound and the National Credit Act is having the desired effect in curbing additional credit to over-indebted consumers.

### PERFORMANCE

We are very pleased to report another record net income after tax of R7,6 million. The Bank again benefited from the performance of our endowment policy, reflecting the exceptional growth in listed equities. Interest margins were satisfactory, and we were able to earn

additional fee income. Our operating costs remain relatively high, but generally in line with small banks. The Bank took a prudent view on bad debt provisioning and put aside an additional R2,3 million for the year.

To provide greater clarity on our core banking business, we wish to expand on the fair value adjustment of R3,5 million. We consider R1,4 million to be a normal return and R2,1 million to be an additional benefit derived from the endowment policy. Thus earnings from our banking operations were about R5,5 million. We believe that, given the relatively sombre outlook for listed equities, the out-performance of the endowment policy may not be repeated in the year ahead.

Our reserves now exceed R55 million, up from R29,5 million five years ago.

Because of the changes in the economic climate we anticipate a slowdown in lending activity in the coming year.

Loans and advances increased to R492,4 million and total assets now exceed R658 million. We continue to see growth in small to medium commercial mortgages and specialised Asset Based Finance loans. Our asset growth areas remain Cape Town and Port Elizabeth, with the latter now more established in the area. Both branches exceeded growth targets for the year.

We continue to enjoy wonderful support from our investor base. Share deposits now total R231,7 million with the majority coming from the Eastern Cape, with Port Elizabeth and Port Alfred showing excellent growth.

The Bank is well capitalized and the Capital Adequacy Ratio at year end



stood at a satisfactory 14.65%, comfortably in excess of the statutory minimum requirement.

### CORPORATE GOVERNANCE

We recognize that the implementation of sound corporate governance practices are integral to our operations as a bank. We do not consider governance to be merely a set of rules but a culture that permeates the bank.

We are committed to the Code of Corporate Practices and Conduct (King Code) and were in substantial compliance with it during the year under review.

In addition, the GBS subscribes to the Code of Banking Practice and its underlying values.

#### The Board of Directors

The Board has the ultimate responsibility for the management and strategic direction of the GBS and is committed to the ongoing implementation of a culture of good values and sound corporate governance.

The Board has a complement of eight, six being non executive including the Chairman, which ensures independent thought is brought to bear on Board decisions. The Board retains effective control through a structure of well functioning Board committees who provide in depth focus on specific areas.

The Board meets monthly with additional meetings to review the budget and determine strategy. This latter meeting is held with senior management.

#### Audit Committee

The primary role of the Audit Committee is to review and evaluate the Bank's risk profile and internal controls, the efficacy of our accounting and financial systems and both the internal and external audit processes.

The committee reviews the audit plan with the external auditors and approves the scope and extent of the internal

auditor's work programme. The Committee also reviews all internal and external audit reports and monitors management's response to the auditors' recommendations.

The Committee, which met four times during the year, is chaired by a non-executive director, Mr. Tony Long.

#### Remuneration Committee

This Committee, chaired by Mr. Chris Stone, is responsible for the Bank's overall remuneration policy and advises the Board on succession planning.

The policy is designed to recognize the value of the staff and their role within the Bank. Remuneration is competitive and is designed to attract, motivate and retain a talented staff complement.

The Committee met five times during the year.

#### IT Committee

The Committee has the responsibility of reviewing and monitoring the Bank's information technology operations, needs and risk management.

The Bank is in the process of re-writing its core computer systems. The old system has served us well but the new system will enable us to improve our service to clients as well as our back office operations. We anticipate the new system to be live before the end of this calendar year. This is an exciting development for the Bank and we eagerly look forward to the benefits that we will all enjoy. In addition, we will own the new system, providing us with added flexibility as well as cost benefits.

The Committee, chaired by Dr. Peter Clayton, met six times during the year.

### RISK MANAGEMENT

The effective management of risk is critical to the growth of the Bank whereby the culture encourages sound credit decision making which adequately balances risk and reward.



## REPORT OF THE DIRECTORS – (continued)

The risk management approach relies both on individual responsibility and collective oversight which is supported by strict and comprehensive reporting.

Our approach to risk management, and in particular to credit and liquidity, has remained conservative in spite of the favourable economic climate in which we could have extended much more credit. As a result our arrears statistics remain below the industry norm.

### Risk Management Committee

The Committee, which meets twice a year, ensures that the risk management policies and procedures are reviewed periodically and, as importantly, that banking risks are understood at all the relevant levels within the bank.

The main risks facing the Bank are:-

- credit risk, the risk that a counterparty will be unable to pay amounts in full on maturity date
- liquidity risk arises if the Bank is unable to meet its payment obligations when they fall due
- interest rate risk is the risk that the Banks' financial condition may be adversely affected as a result of changes in interest rate levels
- operational risk is the risk of loss suffered as a result of inadequacy of, or failure in internal processes, people, systems and external events
- compliance risk refers to the risk of failure to comply with applicable laws, regulations and codes of conduct which may result in regulatory sanction, financial loss or damage to the Bank's reputation
- reputation risk results from damage to the Bank's image which may impair its ability to operate effectively.

Safeguarding the Bank's reputation is paramount and is the responsibility of both the staff and Board. These risks arise from social and ethical issues as well as the consequence of some operational risks

The Risk Management Sub-Committee, chaired by a non-executive director on a rotational basis, meets weekly.

### STAFF DEVELOPMENT

Besides the Workplace Skills Plan, we actively encourage staff to upgrade their knowledge and skills through incentives and by employing outside tutors to assist with university degree subjects.

We ensure that all relevant staff members meet the minimum educational requirements of the Financial Advisory and Intermediary Services Act.

### LOOKING AHEAD

The next year or two are likely to be tough for the GBS and the financial services industry, with high interest rates and inflation likely to take their toll on over-indebted consumers. The Board have taken the conditions into consideration in the forward plans and we expect lower profit in the coming year.

However, we look forward to the year ahead, knowing that investors continue to trust us to meet their financial requirements, and determined to meet the needs of borrowers in our niche markets.

We are grateful to staff and management who have given of themselves to assist the Bank to achieve these results, to the Board for their wisdom and guidance, and to our clients and stakeholders for supporting us.

*A M Vorster  
Managing Director  
20 May 2008*

# REPORT OF THE DIRECTORS – (continued)



## FIVE YEAR REVIEW

### YEAR ENDED 31 MARCH (R000s)

	2008	2007	2006	2005	2004
<b>BALANCE SHEETS</b>					
Reserves	55 236	47 653	43 172	38 479	34 301
Risk provisions	5 419	3 737	2 237	1 654	1 946
Share Deposits	231 706	195 668	126 396	56 888	47 951
Deposits	362 159	361 563	338 884	333 360	284 108
Other liabilities	9 657	9 906	8 580	7 189	4 575
	<u>664 177</u>	<u>618 527</u>	<u>519 269</u>	<u>437 570</u>	<u>372 881</u>
Cash and short term securities	83 421	98 102	75 268	63 844	55 039
Investments	77 322	51 143	45 261	41 966	37 311
Advances – mortgages	277 612	245 646	181 906	151 617	141 036
– Instalment sales, rentals & other	220 213	219 607	213 043	176 243	135 159
Other	5 609	4 029	3 791	3 900	4 336
	<u>664 177</u>	<u>618 527</u>	<u>519 269</u>	<u>437 570</u>	<u>372 881</u>
<b>INCOME STATEMENTS</b>					
Net interest income	22 704	19 075	15 439	12 936	13 109
Other income	6 111	4 720	4 168	4 016	2 479
	28 815	23 795	19 607	16 952	15 588
Impairments and provisions	(2 342)	(1 879)	(987)	(509)	(751)
Operating expenses	(17 039)	(15 260)	(12 818)	(11 706)	(10 626)
Tax	(1 851)	(1 462)	(1 280)	(1 143)	(1 062)
	<u>7 583</u>	<u>5 194</u>	<u>4 522</u>	<u>3 594</u>	<u>3 149</u>

### RETURNS AND RATIOS – %

Capital adequacy ratio	14.7	12.9	13.1	13.2	16.7
Provision for bad debts: advances	1.1	0.8	0.6	0.5	0.7
Operating expenses to total income	59.1	64.1	65.4	69.1	68.2



## GBS MUTUAL BANK

BALANCE SHEET at 31 March 2008

	Notes	2008 R'000	2007 R'000
<b>ASSETS</b>			
Cash and short term funds	8	83 421	98 102
Advances and loans	9	492 406	461 516
Investments	10	77 322	51 143
Investment in associates	11	598	941
Property and equipment	12	1 257	883
Other assets	13	1 268	87
Deferred income tax asset	14	2 486	2 118
Total assets		<u>658 758</u>	<u>614 790</u>
<b>LIABILITIES</b>			
Share deposits	15	231 706	195 668
Other deposits	15	362 159	361 563
Other liabilities	16	3 568	3 658
Retirement benefit obligations	17	5 125	4 831
Provisions	18	759	676
Current tax liability		205	741
Total liabilities		<u>603 522</u>	<u>567 137</u>
<b>RESERVES</b>			
		<u>55 236</u>	<u>47 653</u>
Total liabilities and reserves		<u>658 758</u>	<u>614 790</u>



INCOME STATEMENT for the year ended 31 March 2008

	Notes	2008 R'000	2007 R'000
Interest income	3	77 579	58 708
Interest expense	3	(54 875)	(39 633)
Net interest income		22 704	19 075
Fee and commission income		1 977	2 161
Fair value adjustments of investments	10	3 517	1 954
Dividend income		473	403
Other operating income	4	92	156
Income from associate	11	52	46
Total income		28 815	23 795
Operating expenses	5	(16 073)	(13 877)
Fee and commission expense		(966)	(1 383)
Net impairment on advances	6	(2 342)	(1 879)
Profit before income tax		9 434	6 656
Income tax expense	7	(1 851)	(1 462)
Profit for the year		7 583	5 194



## GBS MUTUAL BANK

### STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2008

	Retained earnings	General reserve	Revaluation reserve	Statutory credit risk reserve	Total
	R'000	R'000	R'000	R'000	R'000
Balance at 1 April 2006	500	39 436	713	2 523	43 172
Profit for the year	5 194	-	-	-	5 194
Available for sale investments – mark to market (net of deferred tax)	-	-	(713)	-	(713)
Transfer to statutory credit risk reserve	(377)	-	-	377	-
Transfer to general reserve	(4 817)	4 817	-	-	-
Balance at 31 March 2007	500	44 253	-	2 900	47 653
Balance at 1 April 2007	500	44 253	-	2 900	47 653
Profit for the year	7 583	-	-	-	7 583
Transfer to statutory credit risk reserve	(204)	-	-	204	-
Transfer to general reserves	(7 379)	7 379	-	-	-
Balance at 31 March 2008	500	51 632	-	3 104	55 236



## CASH FLOW STATEMENT for the year ended 31 March 2008

	2008 R'000	2007 R'000
<b>Cash flows from operating activities</b>		
Interest receipts	77 579	58 708
Interest payments	(54 875)	(39 633)
Fee and commission receipts	1 977	2 161
Fee and commission payments	(966)	(1 383)
Dividends received	473	403
Other income	89	156
Net impairment on advances	(2 342)	(1 879)
Payments to employees and suppliers	(14 817)	(13 353)
Income taxes paid	(2 755)	(1 038)
<i>Cash flows from operating activities before changes in operating assets and liabilities</i>	4 363	4 142
<i>Changes in operating assets and liabilities</i>		
Net increase in advances	(30 890)	(68 804)
Net (increase)/decrease in other assets	(1 181)	575
Net increase in deposits	36 634	91 951
Net (decrease)/increase in other liabilities and provisions	(7)	204
Increase in retirement benefit obligations	294	381
<i>Net cash generated from operating activities</i>	9 213	28 449
<b>Cash flows from investing activities</b>		
Acquisition of property and equipment	(826)	(192)
Proceeds from sale of property and equipment	83	-
Increase in investments	(23 151)	(5 423)
<i>Net cash used in investing activities</i>	(23 894)	(5 615)
Net (decrease)/increase in cash and short term funds	(14 681)	22 834
Cash and short term funds at beginning of year	98 102	75 268
Cash and short term funds at end of year (Note 8)	83 421	98 102



NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2008

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1 Accounting policies

The principal accounting policies set out below are, in all material respects, consistent with those of the prior year.

The preparation of financial statements in conformity with International Financial Reporting Standards (“IFRS”) requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Bank’s accounting policies.

1.1 Basis of preparation

The financial statements are prepared in accordance with and comply with IFRS. The financial statements are prepared under the historical cost convention, except for financial instruments which are accounted for in terms of the stated accounting policies.

*a) Amendments to published standards and interpretations that are effective and are relevant to the Bank*

The following standard and amendment were adopted on 1 April 2007:

- IFRS 7, ‘Financial instruments: Disclosures’, and the complementary amendment to IAS 1, ‘Presentation of financial statements - Capital disclosures’. IFRS 7 introduces new requirements to improve the information on financial instruments in the financial statements. The standard requires information about the extent to which the Bank is exposed to risks arising from financial instruments, and a description of management’s objectives, policies and processes for managing those risks. The amendment to IAS 1 introduces disclosures about the level of an entity’s capital and how it manages its capital.

*b) Standards and interpretations effective in 2008, but not relevant to the Bank*

The following standards and interpretations to published standards are mandatory for the Bank’s accounting period beginning on or after 1 April 2007 but they are not relevant to the Bank’s operations:

- IFRIC 8 - Scope of IFRS 2;
- IFRIC 9 - Reassessment of Embedded Derivatives,
- IFRIC 10 - Interim Financial Reporting and Impairment;
- IFRIC 11 - IFRS 2 – Group and Treasury Share Transactions; and
- AC 503 - Accounting for Black Empowerment (BEE) Transactions.

*c) Standards that are not yet effective and have not been early adopted by the Bank*

The following standards have been published and are mandatory for the Bank’s accounting periods beginning on or after 1 April 2009. These standards have not been early adopted:

- IAS 1 (Revised), ‘Presentation of financial statements’. This standard prescribes the basis for presentation of general purpose financial statements, to ensure comparability both with the Bank’s financial statements of previous periods and with the financial statements of other entities. The Bank will apply this standard from 1 April 2009.
- IAS 23 (Amendment), ‘Borrowing costs’. This standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. The Bank will apply IAS 23 (Amended) from 1 April 2009. This standard is currently not applicable as the Bank does not have any qualifying assets.

*d) Standards and interpretations to existing standards that are not yet effective and are not relevant for the Bank’s operations*

The following standards and interpretations to existing standards have been published and are mandatory for the Bank’s accounting periods beginning on or after 1 April 2008 or later periods but are not relevant to the Bank’s operations:

- IFRS 3, Business combinations – Revised (effective 1 July 2009)

#### 1.1 Basis of preparation (continued)

- IFRS 8, Operating segments (effective 1 January 2009);
- IAS 27, Consolidated and Separate Financial Statements – Revised (effective 1 July 2009);
- IFRIC 12 – Service Concession Arrangements (effective 1 January 2008);
- IFRIC 13 – Customer Loyalty Programmes (effective 1 July 2009); and
- IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008)

#### 1.2 Associated companies

Associated companies are entities in which the Bank has significant influence over the financial and operating policies, but which it does not control. Significant influence usually accompanies a shareholding of more than 20% of the associate's share capital or representation on the associate's board of directors. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Bank's share of its associate's profit or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Bank's share of losses in an associate equals or exceeds its interest in the associate, the Bank does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Bank and its associates are eliminated to the extent of the Bank's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Investments in associates are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If the investment is impaired, provision is made to reduce the carrying value of the investment to its estimated recoverable amount

#### 1.3 Cash and short term funds

For the purposes of the cash flow statement, cash and short term funds comprise cash on hand, cash held at the South African Reserve Bank, balances at other banks, treasury bills and short term deposits with maturity periods of less than 90 days.

#### 1.4 Advances and loans

Advances and loans are financial assets with fixed or determinable payments and include purchased advances. Advances and loans are accounted for at amortised cost using the effective interest rate method. Transaction costs and origination fees received are capitalised to the value of the advance and expensed or taken to interest income over the estimated duration of the advance or loan.

Advances and loans include rental agreements and lease agreements where the Bank is acting as the lessor. The substance of these transactions is that they are financing arrangements by their nature.

The Bank assesses at each balance sheet date whether there is objective evidence that the advances and loans are impaired. Impairment testing of advances is described in note 1.5

#### 1.5 Impairment of advances

Advances are stated net of provisions for impairments. Advances are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any impairment indicators show that it is probable that the Bank will be unable to collect all amounts due, a provision for impairment is made to reduce the carrying amount of the asset to its estimated recoverable amount.

Provisions for non-performing advances, covering identified doubtful debts, are based on periodic evaluations of advances and take account of past loss experience, economic conditions and changes in the nature and level of risk exposure. Advances and loans are considered to be non-performing when amounts are due and unpaid for three months.

Portfolio provisions for the impairment of performing advances cover losses which, although not yet specifically identified, are present in any portfolio of bank advances based on historical loss patterns. Portfolio provisions are calculated based on industry historical experience, modified by the Bank's historical experience where different.

Increases in the provisions for advance impairments and any subsequent reversals thereof, or recoveries of amounts previously impaired, are reflected in the income statement.

When an advance is deemed uncollectable, it is written off against the related provision for impairments. Subsequent recoveries are credited to the income statement.



1.5 Impairment of advances (continued)

In addition to impairment provisions, a statutory non-distributable credit risk reserve is maintained in terms of the regulations to the Banks Act on all advances that have not specifically been provided for.

1.6 Investments

All financial assets are initially recognised at fair value plus transaction costs. The Bank classifies its financial assets into the following categories on acquisition:

*Held-to-maturity*

Financial assets with fixed maturity, where management has both the intent and the ability to hold the securities to maturity, are classified as held-to-maturity. Financial assets classified as held-to-maturity by the Bank are carried at amortised cost, using the effective yield method, less any provisions for impairment.

*Fair value through profit or loss*

Where the Bank has elected in terms of IFRS 1 to designate financial assets as held at fair value through profit or loss or where financial instruments are held for trading, these financial assets are classified as assets held at fair value through profit or loss. All related realised and unrealised gains and losses arising from the change in fair value of these financial assets are included as a separate line item in the income statement.

These gains and losses are recognised in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement when the Bank's right to receive payment is established.

*Available-for-sale*

Financial assets that are not held for trading purposes, originated by the Bank or held-to-maturity, are classified as available-for-sale assets. Unrealised gains or losses arising from the changes in the fair value of available-for-sale assets are recognised in a revaluation reserve in equity. On disposal of available-for-sale assets, the fair value adjustments accumulated in equity are recognised in the income statement. If available-for-sale assets are considered to be impaired, the cumulative unrealised gain or loss previously recognised in equity is included in the income statement.

Dividends on available-for-sale equity instruments are recognised in the income statement when the Bank's right to receive payment is established.

*Fair value*

The fair value of a financial instrument is the amount at which the instrument could be exchanged between willing parties, other than in a forced or liquidation sale.

Considering the nature of the Bank's financial assets, the best evidence of fair value on initial recognition is the transaction price.

Subsequent to initial recognition, fair values of financial assets are based on quoted prices excluding transaction costs. Where this is not available, fair value is determined using applicable valuation techniques.

Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Bank has transferred substantially all risks and rewards of ownership.

1.7 Properties in possession

Properties in possession comprise the amounts outstanding on advances where mortgagors have defaulted and the properties securing the advances have been bought in by the Bank. Until resale, all expenditure and income is allocated to the relevant property in possession. An impairment provision is made where the amount, or a portion thereof, is considered to be not recoverable.

1.8 Property and equipment

Land and buildings comprise banking halls and offices. All property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

1.8 Property and equipment (continued)

Land is not depreciated as it is deemed to have an indefinite useful life. Depreciation on other property and equipment is calculated on the reducing balance basis to write down the cost of assets to their residual values over their estimated useful lives as follows:

Buildings	4%
Motor vehicles	20%
Furniture and equipment	15%
Computer equipment	33%
Computer mainframes and software	20% straight line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

1.9 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment at each balance sheet date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

1.10 Shares and other deposits

Financial liabilities are recognised initially at fair value, being their issue proceeds. They are subsequently stated at amortised cost and interest is recognised over the period of the borrowing using the effective interest rate method.

No financial liabilities have been classified as financial liabilities through profit and loss.

1.11 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

1.12 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

1.13 Post-retirement benefits

*Healthcare benefits:*

It is the policy of the Bank to provide post-retirement healthcare benefits to some of its retirees in the form of medical aid contributions. The entitlement to post-retirement healthcare benefits is based on the employee remaining in service up to retirement age. Valuations of these obligations are carried out by independent actuaries. The costs are assessed using the projected unit credit method. Under this method the cost of providing post-retirement benefits is charged to the income statement to spread the regular cost over the service lives of employees in accordance with the advice of actuaries. The post-retirement healthcare obligation is measured as the present value of estimated future cash outflows.

*Pension benefits:*

The Bank has an obligation to pay fixed pensions to certain retired employees. These payments are funded internally, and not through a formal pension fund. The post-retirement pension liability was measured as the present value of estimated future cash outflows based on the fixed pensions and the life expectancy of the pensioners. The valuation of the liability was performed internally based on actuarial life expectancy tables.



1.13 Post-retirement benefits (continued)

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income in the year in which they arise.

In accordance with the Bank's terms of employment, all current employees are required to be members of the GBS Mutual Bank Provident Fund. This fund is a defined contribution plan. The Bank's contributions to this plan are charged to the income statement in the year to which they relate.

1.14 Revenue recognition

Interest income and interest expenses are both recognised in the income statement on an accrual basis using the effective interest rate method.

Fees and commissions, net of value added tax, are recognised on an accrual basis. Where fees are received in advance, the income is deferred and recognised over the period to which the fees relate.

Dividends are recognised when the right to receive payment is established.

1.15 Leases

*Operating leases – where Bank is the lessee*

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2 Key management assumptions

In preparing the financial statements, estimates and assumptions are made that could affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on factors such as historical experience and current best estimates of future events. Key management assumptions are made and disclosed in the following areas:

- Impairment of advances – notes 1.5 and 6
- Property and equipment – note 1.8
- Retirement benefit obligations – notes 1.13 and 17
- Impairment of associate – notes 1.2 and 11
- Recoverability of deferred income tax assets – note 1.12
- Impairment of non-financial assets – note 1.9



	2008 R'000	2007 R'000
<b>3 Interest</b>		
Interest income		
Mortgages	33 096	21 868
General advances	3 473	2 852
Instalment sales and rentals	27 942	24 623
Investments	12 593	9 060
Other	475	305
	<u>77 579</u>	<u>58 708</u>
Interest expense		
Fixed deposits	31 059	23 744
Savings deposits	1 002	671
Paid up shares	14 443	9 636
Subscription shares	2 206	1 299
Fixed period shares	5 957	4 097
Other	208	186
	<u>54 875</u>	<u>39 633</u>
<b>4 Other operating income</b>		
Net rent received	-	12
Profit on sale of property and equipment	3	-
Sundry income	89	144
	<u>92</u>	<u>156</u>



NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2008 (continued)

	2008 R'000	2007 R'000
5 Operating expenses		
Operating expenses include the following items:		
Auditors' remuneration		
– audit fees	610	560
– fees for other services	8	10
	<u>618</u>	<u>570</u>
Impairment charge – available-for-sale investments	605	269
Depreciation	356	253
Office rental	127	113
Repairs and maintenance	478	389
Staff remuneration and related personnel costs	10 216	8 382
Included in staff remuneration costs are:		
Directors' emoluments		
<i>Executive directors</i>		
– salaries and benefits	2 066	1 368
<i>Non executive directors</i>		
– for services as directors	358	307
– for consulting services	388	–
	<u>2 812</u>	<u>1 675</u>



	2008 R'000	2007 R'000
<b>6 Impairment provisions against advances and loans</b>		
Balance at beginning of year	(3 737)	(2 237)
Amount utilised	660	379
Charge to income statement	(2 342)	(1 879)
Recovery of amounts previously written off	233	224
Current year provision	(2 575)	(2 103)
Balance at end of year	<u>(5 419)</u>	<u>(3 737)</u>
Analysis:		
Provisions against non-performing advances	(3 300)	(2 287)
Provision against performing advances	<u>(2 119)</u>	<u>(1 450)</u>
	<u>(5 419)</u>	<u>(3 737)</u>

The provision against performing advances was based on trend analysis of the historical loss experience of the banking industry on rentals and the Bank's experience with instalment agreements. The loss ratios for rentals and instalment sales were 1.01% and 0.54% (2007: 0.87% and 0.32%) of the outstanding amounts respectively. A 1% movement in these ratios will result in an additional charge or credit of R18,000 (2007: R14,000) in the income statement.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2008 (continued)

	2008 R'000	2007 R'000
7 Income tax expense		
South African normal taxation		
Current tax		
– current year	2 213	1 969
– prior year underprovision	6	10
Deferred tax		
– current year	(450)	–
– prior year	9	(517)
– tax rate adjustment	73	–
	1 851	1 462
The tax on the Bank's profit differs from the theoretical amount that would arise using the basic tax rate as follows:		
Profit before tax	9 434	6 656
Tax calculated thereon at 29% (2007: 29%)	2 736	1 930
Tax effect of:		
Income not subject to tax	(1 115)	(540)
Expenses not deductible for tax	17	119
Tax effect on share of profit of associate	(15)	(13)
Tax effect of capital losses	124	(44)
Prior year adjustment	15	10
Tax rate change in opening balance of deferred tax	73	–
Result of applying different tax rates to measure current and deferred tax	16	–
Tax charge	1 851	1 462

In his speech on 20 February 2008 the Finance Minister announced a budgeted change in the corporate tax rate from 29% to 28%. The new corporate tax rate of 28% is effective for all financial year-ends which occur after 31 March 2008. Therefore the applicable tax rate used in the tax rate reconciliation is 29% as this is the corporate tax rate still applicable as at the end of the financial period. Deferred tax, however, is measured at tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The 28% tax rate has been “substantively enacted” in South Africa with effect from the date of the budget speech. Therefore, deferred tax for the current year is measured at 28%.



	2008 R'000	2007 R'000
8 Cash and short term funds		
Bank balances and short-term deposits	38 669	56 130
South African Reserve Bank balance	11 629	10 759
Treasury bills	32 614	30 710
Cash on hand	509	503
	<u>83 421</u>	<u>98 102</u>

The Bank has overdraft facilities at First National Bank Ltd of R10 million (2007: R10 million). This facility is reviewed annually.

Treasury bills are classified as "held to maturity" financial instruments. All other cash and short term funds are classified as "advances and loans" financial instruments.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2008 (continued)

	2008 R'000	2007 R'000
9 Advances and loans		
Mortgages	277 612	245 646
General	20 735	27 033
Instalment sales and rentals	199 478	192 574
	<u>497 825</u>	<u>465 253</u>
Impairment provisions (Note 6)	(5 419)	(3 737)
	<u>492 406</u>	<u>461 516</u>

Advances are classified as "advances and loans" financial instruments.

The Bank's actual recent experience with loan repayment rates is as follows:

Mortgages – average maturity period of 6 years (2007: 5 years)

Instalment sales and rentals – average maturity period of 2.5 years (2007: 2.5 years)

General – average maturity period of 2.5 years (2007: 2 years)

Commitment for the aggregate amount of advances and re-advances granted but not yet paid out:	2008 R'000	2007 R'000
Instalment sales and rentals	11 263	10 567
Mortgages	34 444	50 234
	<u>45 707</u>	<u>60 801</u>
Gross amounts due under instalment sales and rentals	245 713	232 593
Less: Unearned finance income	(46 235)	(40 019)
	<u>199 478</u>	<u>192 574</u>
Other advances	298 347	272 679
	<u>497 825</u>	<u>465 253</u>

Refer to note 20 for further disclosures regarding credit quality and collateral held.



	2008 R'000	2007 R'000
<b>10 Investments</b>		
<i>Held-to-maturity investments</i>		
Fixed deposits	60 596	32 329
<i>Financial instruments at fair value</i>		
Opening balance	13 659	10 205
Fair value adjustment through net income	3 517	1 954
(Withdrawal)/premium on Momentum Endowment Policy	(5 000)	1 500
Closing balance	12 176	13 659
<i>Available-for-sale investments</i>		
Opening balance	5 155	6 650
Impairment loss recognised	(605)	(160)
Fair value adjustment via equity	-	(835)
Reclassification to Investment in Associate	-	(500)
Closing balance	4 550	5 155
<b>Total investments</b>	<b>77 322</b>	<b>51 143</b>

Financial instruments at fair value through profit or loss comprise an investment in an endowment policy and investments in a unit trust portfolio held to partially cover the post-retirement medical obligations in note 17. The endowment policy is an undated instrument with a loan facility.

Available for sale investments comprise Investec Bank Limited non-cumulative non-redeemable preference shares bearing dividends at 75% of the prime overdraft rate, carried at fair value of R4 550 000 (2007: R5 155 000).



NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2008 (continued)

	2008 R'000	2007 R'000
<b>11 Investment in associates</b>		
The investment consists of a 11% (2007: 11%) interest in Cape Capital Investment and Finance Company Ltd ("Cape Capital"), incorporated in South Africa, over which the Bank has significant influence but not control.		
Carrying value of equity investment	598	662
Indebtedness to bank	-	279
	<u>598</u>	<u>941</u>
Investment at cost	500	116
Re-classification of Cape Capital investment	-	500
Share of post-acquisition reserves in equity accounted associate at beginning of year	46	697
Profit from associate	52	46
Less: Impairment provision	-	(697)
	<u>598</u>	<u>662</u>
Reconciliation of carrying value of equity investments:		
At beginning of year	662	116
Purchase of shares	48	-
Sale of shares	(164)	-
Profit from associate	52	46
Reclassification of Cape Capital investment	-	500
At end of year	<u>598</u>	<u>662</u>

The investment in Cape Capital was acquired during the 2006 financial year. It was classified as an associate during the 2007 financial year as the Bank has representation on the board of Cape Capital.

In addition to the above, Cape Capital has a personal loan at prime from the Bank amounting to R3 721 896 (2007: R8 921 594). This amount has been included in advances (Refer note 19 for further disclosure).

In the 2005 year an agreement was entered into in terms of which the Bank would sell 13% of the shares in GBS Travel to a black economic empowerment (BEE) partner for R520 000. This reduced the Bank's holding to 31%. Because of conditions precedent in the agreement that had not yet been met, the profit of R471 000 on the sale of the Bank's shares in GBS Travel had not been recognised by the Bank in previous financial years. During the current financial year, in terms of the conditions in the agreement, the Bank bought back the shares from the BEE partner at the original selling price and the deferred profit was reversed.

Subsequent to this, the Bank sold its entire equity holding in GBS Travel to the majority shareholder of that company. This also involved a settlement of loans due to the Bank by GBS Travel.



11 Investment in associates (continued)

According to the most recent unaudited financial statements the relevant financial information of the associates at 31 March 2008 is summarised as follows:

	2008 R'000	2007 R'000
<i>Assets</i>		
- GBS Travel	-	7 818
- Cape Capital	15 689	12 244
<i>Liabilities</i>		
- GBS Travel	-	(5 807)
- Cape Capital	(13 421)	(10 639)
<i>Revenues</i>		
- GBS Travel	2 490	6 484
- Cape Capital	4 371	2 238
<i>Profit for the year</i>		
- GBS Travel	86	6
- Cape Capital	491	281
<i>Gains recognised directly in reserves</i>		
- GBS Travel	-	-
- Cape Capital	-	-
<i>GBS Mutual Bank's share of post-acquisition Reserves (before impairment)</i>		
- GBS Travel	-	697
- Cape Capital	98	46

Revenue and profit for the year relating to GBS Travel reflect the associate's performance up to 31 August 2007, the effective date of sale.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
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12 Property and equipment

	Office premises R'000	Furniture, equipment and motor vehicles R'000	Computers R'000	Total R'000
<b>Year ended 31 March 2008</b>				
Opening carrying amount	72	506	305	883
Additions	-	616	210	826
Disposals	-	(80)	-	(80)
Transfers	-	-	(16)	(16)
Depreciation	-	(119)	(237)	(356)
Closing carrying amount	<u>72</u>	<u>923</u>	<u>262</u>	<u>1 257</u>
<b>At 31 March 2008</b>				
Cost	72	1 291	1 457	2 820
Accumulated depreciation	-	(368)	(1 195)	(1 563)
Closing carrying amount	<u>72</u>	<u>923</u>	<u>262</u>	<u>1 257</u>
<b>Year ended 31 March 2007</b>				
Opening carrying amount	72	476	396	944
Additions	-	135	57	192
Depreciation	-	(105)	(148)	(253)
Closing carrying amount	<u>72</u>	<u>506</u>	<u>305</u>	<u>883</u>
<b>At 31 March 2007</b>				
Cost	72	981	1 509	2 562
Accumulated depreciation	-	(475)	(1 204)	(1 679)
Closing carrying amount	<u>72</u>	<u>506</u>	<u>305</u>	<u>883</u>

Office premises consist of land and buildings situated in Grahamstown, the details of which are available at the Bank's registered office.



	2008 R'000	2007 R'000
13 Other assets		
Sundry debtors	593	47
Accrued income and prepayments	17	40
Receiver of Revenue – VAT	658	–
	<u>1 268</u>	<u>87</u>

Included in sundry debtors is R548 000 relating to software development in progress at year end.

#### 14 Deferred income tax asset

Deferred income taxes are calculated on all temporary differences under the liability method using the enacted corporate tax rate of 28% (2007: 29%).

The movement on the deferred income tax account is as follows:

	2008 R'000	2007 R'000
At beginning of year	2 118	1 480
Credited directly to equity	–	121
Income statement credit (note 7)	368	517
At end of year	<u>2 486</u>	<u>2 118</u>

Deferred income tax is attributable to the following items:

	31 March 2007 R'000	Credited/ (charged) to profit R'000	31 March 2008 R'000
Accelerated depreciation	(21)	25	4
Provisions against advances	329	279	608
Leave pay accrual	236	68	304
Retirement benefit obligations	1 401	34	1 435
Provisions	217	4	221
Deferred income tax asset	2 162	410	2 572
Prepaid expenses	(11)	6	(5)
Deferred capital gains tax	(157)	76	(81)
Deferred income	124	(124)	–
Deferred income tax liability	(44)	(42)	(86)
Net deferred income tax asset	<u>2 118</u>	<u>368</u>	<u>2 486</u>



NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
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	2008 R'000	2007 R'000
15 Deposits		
<i>Share deposits</i>		
Indefinite period paid-up shares	144 147	130 920
Subscription shares	25 172	18 460
Fixed period shares	62 387	46 288
	<u>231 706</u>	<u>195 668</u>
<i>Other deposits</i>		
Fixed deposits	342 262	343 768
Savings and transmission deposits	19 897	17 795
	<u>362 159</u>	<u>361 563</u>
There is a net commitment for the approved redemption of shares amounting to:	<u>2 974</u>	<u>1 538</u>
16 Other liabilities		
Sundry creditors	673	1 215
Accruals	2 895	2 272
Receiver of Revenue – VAT	-	171
	<u>3 568</u>	<u>3 658</u>



	2008 R'000	2007 R'000
<b>17 Retirement benefit obligations</b>		
The Bank's retirement obligations are summarised as follows:		
Post-retirement healthcare obligation	4 418	4 124
Pension liability	707	707
	5 125	4 831
<i>Post-retirement healthcare obligation</i>		
The main actuarial assumptions used in the calculation of the healthcare obligation were:		
- Average investment returns	9%	9%
- Medical cost inflation	6.34%	6.34%
Post-retirement mortality tables: a55 annuity tables		
	2008	2007
- Average number of members:		
- In-service employees	19	21
- Retired members	16	15
	35	36
- Average age of members:		
- In-service employees	45	45
- Retired members	72	73
Amounts recognised in the income statement were:		
	2008 R'000	2007 R'000
Increase in liability:		
- benefits paid	(193)	(181)
- interest cost	363	329
- service cost	100	115
- actuarial loss	24	118
	294	381

Included in financial instruments held at fair value (note 10) is an investment with a carrying value of R2.7m (2007 : R2.5m) which the directors of the Bank have designated to fund the post-retirement healthcare obligation. This is not a specific plan asset as defined and has thus been disclosed separately. The movement on the investment account has been included in "fair value adjustments of investments" in the income statement.

Expected contributions to retirement benefit obligations for the year ended 31 March 2009 are anticipated to be R239 000.



17 Retirement benefit obligations (continued)

	2008	2007
	R'000	R'000
Amount charged to income statement:		
– Post-retirement healthcare obligation	294	381

As at 31 March	Present value of defined benefit obligation	Experience adjustments on plan liabilities – loss/(gain)
	R'000	R'000
2008	4 418	24
2007	4 124	118
2006	3 743	(153)
2005	3 613	521
2004	2 867	178
	2008	2007
	R'000	R'000

*Sensitivity*

A 1.0% increase in the medical cost inflation rate will result in the following:

– increase in current service cost	22	23
– increase in liability	577	502

A 1.0% decrease in the medical cost inflation rate will result in the following:

– decrease in current service cost	(17)	(15)
– decrease in liability	(485)	(453)

*Pension liability*

The main actuarial assumptions used to calculate the Bank's liability in respect of unfunded pension obligations were a discount rate of 9.0% (2007: 9.5%) and life expectancies based on actuarial life expectancy tables (refer note 1.13). There was no movement in the obligation during the year (2007: Rnil).

*GBS Mutual Bank Provident Fund*

This plan is a defined contribution plan registered under the Pension Funds Act and is funded through contributions made by the Bank. The fund has 40 (2007 : 36) members and total contributions for the year amounted to R1 060 957 (2007: R759 583).



	2008 R'000	2007 R'000
18 Provisions		
Service awards		
At beginning of year	676	431
Additional provision charged to income statement	83	245
At end of year	<u>759</u>	<u>676</u>

The provision relates to long-service awards payable to qualifying employees on retirement.

19 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. The Bank's related parties are the GBS Travel Group (sold during the current financial year), Cape Capital and the Bank's directors and key management personnel.

A number of banking transactions are entered into with related parties in the normal course of business. These include advances and deposits. These transactions were carried out on commercial terms and conditions and at market rates. Details of related party transactions, outstanding balances at the year end, and related expenses and income for the year are as follows:

Directors and key management personnel	2008 R'000	2007 R'000
Advances and loans		
Advances and loans outstanding as at end of year	<u>2 844</u>	<u>2 509</u>
No provision for impairment has been recognised in respect of advances and loans provided to related parties (2007: R Nil).		
Deposits		
Deposits at end of year	<u>2 298</u>	<u>2 136</u>
Other expenses		
Compensation		
- Short term employee benefits	3 383	2 419
- Post employment benefits	370	320
Non executive directors' remuneration		
- for services as directors	358	307
- for consulting services	388	-
	<u>4 499</u>	<u>3 046</u>



19 Related party transactions (continued)

Related Entities	GBS Travel		Cape Capital	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
Guarantees issued by the Bank	640	640	-	-
Loans				
Loans outstanding as at end of year	-	1 152	3 722	8 921
Deposits				
Deposits at end of year	-	173	-	-
Other revenue				
- Interest income	47	85	991	533
Other expenses				
- Net interest paid	(8)	(12)	-	-

No provisions for impairment were recognised in the current financial year in respect of loans to related parties (2007: R108 000).

20 Financial risk management

20.1 Strategy in using financial instruments

By its nature, the Bank's activities are principally related to the use of financial instruments. The Bank accepts deposits from customers at both fixed and floating rates and for various periods and seeks to earn above average interest rates by investing these funds in high quality assets. The Bank does not trade in derivative financial instruments.

The Bank's objectives, policies and processes for managing financial risks is consistent with that of the prior year.

20.2 Fair value estimation

The carrying value less the impairment provision of all financial assets and liabilities, not carried at fair value, are assumed to approximate their fair values.

20.3 Capital adequacy

The Bank's capital requirement is made up of both first tier capital, the reserves, and second tier capital, being a portion of the fixed period share capital. The amount of second tier capital cannot exceed that of first tier capital. The capital adequacy ratio is monitored by the Reserve Bank.

The Bank has a statutory capital requirement, in terms of the Mutual Banks Act, which sets a minimum amount of capital and reserves to be held. This amount, termed the capital adequacy ratio, is set at 10% of risk weighted assets. This ratio in effect determines the amount the bank may lend out on advances. The average capital adequacy ratio for the year under review was 13.82% (2007: 12.17%).

20.4 Credit risk

Credit risk is the risk that the counterparty will be unable to pay amounts in full on maturity date. The Bank manages the levels of credit risk by placing limits on the amount of risk accepted in relation to any one counterparty.

In the management of credit risk, the bank limits its lending to those products in which it has knowledge of the market and has the relevant expertise. New product approval is a high level management decision. Credit risk management is conducted in terms of documented policies and procedures which includes credit granting, arrears management and management reporting systems.

## 20 Financial risk management (continued)

### 20.4.1 Maximum exposure to credit risk and collateral held

For financial assets recognised on the balance sheet, the maximum exposure to credit risk equals the carrying amount. The Bank analyses its exposure to credit risk relating to advances based on past due and impaired advances, less collateral held or other credit enhancements.

Past due and impaired advances are defined as those advances that are in arrears, or that have been specifically provided for against future losses.

The following table calculates the Bank's exposure to credit risk in relation to advances:

2008	Advances – Mortgage loans R'000	Advances – Instalment sales and rentals R'000	Advances – General R'000	Total R'000
Gross	277 612	199 478	20 735	497 825
Past due and impaired advances	15 440	17 797	97	33 334
Fair value of collateral held against past due and impaired advances	(15 079)	(13 189)	(91)	(28 359)
Exposure to credit risk	361	4 608	6	4 975
2007	Advances – Mortgage loans R'000	Advances – Instalment sales and rentals R'000	Advances – General R'000	Total R'000
Gross	245 646	192 574	27 033	465 253
Past due and impaired advances	7 076	8 354	52	15 482
Fair value of collateral held against past due and impaired advances	(6 772)	(5 994)	(52)	(12 818)
Exposure to credit risk	304	2 360	–	2 664

The bank holds the following types of collateral within the following classes:

- Mortgages: First mortgage bonds and personal sureties.
- Instalment sales and rentals: Assets financed, and personal and entity sureties.
- General: Hard collateral, such as cession of bank deposits, and personal sureties.

For most forms of security, the collateral given is valued only on origination of the advance or in the course of enforcement actions. The value of security is not updated except where an advance is individually assessed as impaired.

For mortgages, in cases where an advance is not individually assessed as impaired, the original valuation of the property is used as the collateral value. For instalment sales and rentals, the collateral, being the original cost of the asset, is depreciated over the term of the deal.

During the 2008 and 2007 financial year, the bank did not recognise any collateral it held as security against advances, as an asset of the Bank.



20 Financial risk management (continued)

20.4.2 Credit quality per class of asset

The credit quality of advances is managed in terms of the Bank's credit risk policies which include credit granting mandates. Each application is individually assessed, initially by management and thereafter, if needed in terms of mandates, by the risk management sub-committee and the board.

The credit quality of advances can be summarised as follows:

2008	Advances – Mortgage loans  R'000	Advances – Instalment sales and rentals  R'000	Advances – General  R'000	Total  R'000
Performing advances	262 172	181 681	20 638	464 491
Non-performing advances	15 440	17 797	97	33 334
Impaired advances	911	3 689	6	4 606
Unimpaired advances: 0 – 3 months in arrears	12 884	12 927	91	25 902
Unimpaired advances: more than 3 months in arrears	1 645	1 181	–	2 826
<b>Total</b>	<b>277 612</b>	<b>199 478</b>	<b>20 735</b>	<b>497 825</b>
Impaired advances (as above)	911	3 689	6	4 606
Security against impaired advances	(550)	(756)	–	(1 306)
<b>Net impaired advances</b>	<b>361</b>	<b>2 933</b>	<b>6</b>	<b>3 300</b>
<b>2007</b>				
Performing advances	238 570	184 220	26 981	449 771
Non-performing advances	7 076	8 354	52	15 482
Impaired advances	1 021	2 607	–	3 628
Unimpaired advances: 0 - 3 months in arrears	5 670	3 680	43	9 393
Unimpaired advances: more than 3 months in arrears	385	2 067	9	2 461
<b>Total</b>	<b>245 646</b>	<b>192 574</b>	<b>27 033</b>	<b>465 253</b>
Impaired advances (as above)	1 021	2 607	–	3 628
Security against impaired advances	(717)	(624)	–	(1 341)
<b>Net impaired advances</b>	<b>304</b>	<b>1 983</b>	<b>–</b>	<b>2 287</b>

Advances are defined as non-performing if they have a specific provision for future losses, or are in arrears.



20 Financial risk management (continued)

20.4.3 Geographical concentration of credit risk

Geographical sector risk concentrations within the customer advances portfolio were as follows:

2008	Eastern Cape %	Western Cape %	Other %	Total %
Mortgage loans	58	36	6	100
General	78	19	3	100
Instalment sales and rentals	40	43	17	100
Specific impairment provision	50	35	15	100
2007	Eastern Cape %	Western Cape %	Other %	Total %
Mortgage loans	58	34	8	100
General	85	13	2	100
Instalment sales and rentals	40	43	17	100
Specific impairment provision	46	19	35	100

20.4.4 Financial assets renegotiated

No terms of loans and advances have been renegotiated during the 2008 or 2007 financial year.

20.5 Market risk

The Bank is exposed to market risk, which is the risk that the Bank's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates and equity prices.

Market risk arises from the Bank's holding of assets that are exposed to general and specific market movements. Essentially they comprise treasury bills, which are held to maturity and thus limits the Bank's exposure, and an investment in preference shares, an endowment policy and unit trusts (note 10).

20.5.1 Interest rate risk

Interest rate risk is the risk that the Banks' financial condition may be adversely affected as a result of changes in interest rate levels. The Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest rate margins are monitored as part of the Bank's normal risk management processes.

A 1% increase in the prime rate is expected to increase pre-tax net margins by R1.4m (2007: R1.4m) per annum and a 1% decrease is expected to reduce pre-tax net margins by R1.3m (2007: R1.3m). The following demonstrates the Bank's interest rate repricing mismatch at 31 March:



20 Financial risk management (continued)

20.5.1 Interest rate risk (continued)

2008

	0-31 days R'000	32-90 days R'000	91-365 days R'000	Other R'000
Assets	526 995	38 248	60 596	17 105
Liabilities	(142 498)	(217 271)	(161 062)	(30 135)
Other	-	-	-	(91 978)
	<u>384 497</u>	<u>(179 023)</u>	<u>(100 466)</u>	<u>(105 008)</u>

2007

	0-31 days R'000	32-90 days R'000	91-365 days R'000	Other R'000
Assets	513 395	35 959	32 326	33 110
Liabilities	(138 266)	(192 480)	(166 781)	(69 610)
Other	-	-	-	(47 653)
	<u>375 129</u>	<u>(156 521)</u>	<u>(134 455)</u>	<u>(84 153)</u>

20.5.2 Price risk

The table below lists financial instruments accounted for at fair value, the values of which fluctuate with a combination of changes in stock market indices, interest rate cycles and exchange rate fluctuations. As there are no published indices to benchmark these investments against, it is not possible to quantify possible gains or losses on these investments with the movement in the equity market, fixed interest market or currency fluctuations.

	2008 R'000	2007 R'000
Momentum Policy	9 522	11 173
Investec Securities	4 550	5 155
Medical Investment	2 654	2 486
	<u>16 726</u>	<u>18 814</u>

Momentum Policy

This is a tax free, liquid investment which is and has been held for the long term to enhance the yield on surplus cash. The investment is held in a policy of insurance whose assets are invested in equities, cash, bonds, property and offshore investments. The asset allocation largely resembles that of a balanced unit trust:



20 Financial risk management (continued)

20.5.2 Price risk (continued)

	2008	2007
South African Equities	60%	65%
Cash	13%	11%
Bonds	5%	7%
Property	5%	3%
Offshore assets	17%	14%

The policy is a smooth bonus one declaring an interim bonus rate at the beginning of each year and a final bonus shortly after the year end. The year end of the policy is however not co-terminus with that of the Bank's. The objective is to smooth out investment gains over a period of time thereby enabling bonus declarations in periods of poor or even negative returns.

Investec Securities

These preference shares are long term liquid investments held to enhance the yield on our surplus cash. The yield is set at 75% of the prime overdraft rate. As the rate attached to the preference shares is not a fixed coupon rate, the capital value should not react to rises and falls in interest rates in the same manner as bonds. Share price fluctuations rather reflect investor sentiment which could be driven by potential changes in tax or bank legislation, and/or other fixed interest investments available in the market.

Medical Investment

The medical investment was created as partial funding for the post retirement healthcare obligation. This long term investment is made up of unit trust investments, spread over two asset managers, with the asset allocation largely reflecting a balanced portfolio of equities, cash, bonds, property and offshore investments. Their percentage allocations are similar to those reflected above in the Momentum Policy.

20.6 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations when they fall due and to replace funds when they are withdrawn, the consequence of which may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

The risk that it will be unable to do so is inherent in all banking operations and can be impacted by a range of institution-specific and market-wide events.

The Bank is exposed to liquidity risk relating to daily calls on its cash resources from call accounts, savings accounts, maturing deposits and loan draw downs. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest bearing liabilities as they mature, are important factors in controlling the Bank's exposure to liquidity risk.

The Bank's policy with respect to managing liquidity risk is one of extreme conservatism in that policies dictate that at least R80 million in excess of the statutory minimum liquid asset requirement must be held. In addition we meet annually with our bankers to ensure our credit lines are in place. Liquidity is reviewed weekly by the Risk Management sub-committee.

The table below summarises the remaining contractual maturities of the Bank's financial liabilities based on undiscounted cash flows, and the expected inflows, based on historical data, of the corresponding financial assets. Using the same principles for expected outflows on financial liabilities, short term liquidity mismatches would not occur.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2008 (continued)

20 Financial risk management (continued)

2008

	Redeemable on demand	Maturing within 1 month	Maturing after 1 month but within 6 months	Maturing after 6 months but within 12 months	Maturing after 12 months	Total
	R '000	R '000	R '000	R '000	R '000	R '000
<b>Financial Assets</b>						
Cash: Bank balances and ST deposits	-	22 178	16 491	-	-	38 669
Cash: SARB balance	-	-	-	-	11 629	11 629
Cash: Treasury bills	-	11 000	22 000	-	-	33 000
Cash: Cash on hand	509	-	-	-	-	509
Advances: Mortgage	-	8 696	43 487	56 212	259 919	368 314
Advances: General	-	2 179	10 966	5 800	4 145	23 090
Advances: Instalment sales and rentals	-	9 778	47 315	57 726	130 894	245 713
Investments: Fixed Deposits	-	-	25 549	38 947	-	64 496
Investments: Momentum & Medical Investment	12 177	-	-	-	-	12 177
Investments: Investec Securities	4 550	-	-	-	-	4 550
Sundry Debtors	-	37	-	-	-	37
	17 236	53 868	165 808	158 685	406 587	802 184
<b>Financial Liabilities</b>						
Deposits	(17 680)	(130 933)	(127 579)	(126 955)	(237 624)	(640 771)
Sundry Creditors	-	(546)	-	-	-	(546)
	(17 680)	(131 479)	(127 579)	(126 955)	(237 624)	(641 317)
<b>Total recognised financial instruments</b>	<b>(444)</b>	<b>(77 611)</b>	<b>38 229</b>	<b>31 730</b>	<b>168 963</b>	<b>160 867</b>
Financial guarantees	-	-	(640)	-	-	(640)
Irrevocable unutilised facilities	-	(33 681)	-	(29 829)	-	(63 510)
<b>Total unrecognised financial instruments</b>	<b>-</b>	<b>(33 681)</b>	<b>(640)</b>	<b>(29 829)</b>	<b>-</b>	<b>(64 150)</b>
<b>Net (outflow)/inflow</b>	<b>(444)</b>	<b>(111 292)</b>	<b>37 589</b>	<b>1 901</b>	<b>168 963</b>	<b>96 717</b>

20 Financial risk management (continued)

2007

	Redeemable on demand	Maturing within 1 month	Maturing after 1 month but within 6 months	Maturing after 6 months but within 12 months	Maturing after 12 months	Total
	R '000	R '000	R '000	R '000	R '000	R '000
<b>Financial Assets</b>						
Cash: Bank balances and ST deposits	-	40 117	16 013	-	-	56 130
Cash: SARB balance	-	-	-	-	10 759	10 759
Cash: Treasury bills	-	11 000	20 000	-	-	31 000
Cash: Cash on hand	503	-	-	-	-	503
Advances: Mortgage	-	7 835	39 014	50 065	208 546	305 460
Advances: General	-	3 289	16 466	7 127	1 803	28 685
Advances: Instalment sales and rentals	-	9 208	44 556	54 358	124 471	232 593
Investments: Fixed Deposits	-	-	3 280	30 993	-	34 273
Investments: Momentum & Medical Investment	13 659	-	-	-	-	13 659
Investments: Investec Securities	5 155	-	-	-	-	5 155
Sundry Debtors	-	47	-	-	-	47
	19 317	71 496	139 329	142 543	345 579	718 264
<b>Financial Liabilities</b>						
Deposits	(15 544)	(126 748)	(111 844)	(119 193)	(222 045)	(595 374)
Sundry Creditors	-	(1 219)	-	-	-	(1 219)
	(15 544)	(127 967)	(111 844)	(119 193)	(222 045)	(596 593)
<b>Total recognised financial instruments</b>	3 773	(56 471)	27 485	23 350	123 534	121 671
Financial guarantees	-	-	(640)	-	-	(640)
Irrevocable unutilised facilities	-	(27 522)	-	(56 714)	-	(84 236)
<b>Total unrecognised financial instruments</b>	-	(27 522)	(640)	(56 714)	-	(84 876)
<b>Net inflow/(outflow)</b>	3 773	(83 993)	26 845	(33 364)	123 534	36 795



21 Commitments

	2008 R'000	2007 R'000
<i>(a) Capital Commitments</i>		
Capital expenditure commitments:		
Software upgrade		
– Approved, but not yet contracted	738	840
– Approved and contracted for	47	610
These commitments are to be financed from internally generated cash flows.		
<i>(b) Operating lease commitments</i>		
The Bank leases various offices under operating lease agreements		
No later than 1 year	181	54
Later than 1 year and no later than 5 years	201	48
	<u>382</u>	<u>102</u>
<i>(c) Guarantees</i>		
The Bank has provided a guarantee in respect of GBS Travel, Kowie Travel, and Solargy	640	640
No losses are anticipated in respect of these guarantees.		



Corporate Social Investment (CSI) is one vehicle through which the GBS Mutual Bank implements the concept of mutuality. Our Bank has solid values and a strong community-orientated purpose, which contributes towards building a good society that takes care of its people and their needs. As The Local Bank, we enjoy valuable and beneficial support from our local communities and it remains our policy to re-invest where we are able.

### Life Skills

During the year under review, the Bank implemented a new initiative using the skills and expertise of Mfuzo Dyira, a GBS staff member, to bring about life skills training in the poor areas of Grahamstown East. After identifying a desperate need for financial life skills training, the Bank designed and launched the “Life Financial Skills” project. This project has the potential of improving the economic

situation of hundreds of families, as it empowers individuals with much needed financial skills, to manage the finances they have and turn the culture of borrowing into one of saving.

### Education

South Africa needs leaders able to think about the long term consequences of their decisions, which should have a positive impact for us, our children and our children’s children. The GBS has supported local schools, Scifest, the Schools Festival and sponsored the Music Society’s Rising Star Competition for youth. Beyond mainstream education, the Bank recognises the plight of children, without parental or family support, facing a dismal future without education. The Bank was swift in its response to an urgent plea sent to the Grahamstown community to save Eluxolweni Children’s Street Shelter. The closure of Grahamstown’s only street shelter for boys and girls was only days away. As part of a three-year



*GBS Staff member, Mfuzo Dyira conducts the Financial Skills Training Programme.*



*GBS Mutual Bank once again supported our youth by sponsoring the Schools Festival allowing some local pupils from Nombulelo High School to attend this festival. They are pictured here with CEO, Anton Vorster.*



## COMMUNITY PROJECTS and SPONSORSHIPS (continued)

project the Bank contributed a total of R400 000. In addition a member of staff has joined the shelter's management committee.

A poor quality high school education often means that the dream of a university degree is out of reach. However, a partnership between Rhodes University and the GBS over a period of 14 years has changed this for many disadvantaged students who enjoyed a foundation year at

the commencement of their degrees. This course nurtures the potential of students with additional support, and has produced outstanding students who have held their own in the corporate world. The GBS is the sole remaining founding sponsor.

### Sport and Recreation

During the past year, local tennis, golf and bowling clubs, as well as charity tournaments, have enjoyed sponsorship given by the Bank. Our philosophy is to support those clubs and club members who in turn support the Bank. A Golf Day held at the Royal Port Alfred Golf Club was a great success, with the proceeds benefitting the Child Welfare organisation in Port Alfred. The Bank also sponsored the Bathurst Agricultural Society's Centenary Dinner.

### Caring for the community's most vulnerable members

The Bank has made a special effort to care for needy members of our community by supporting a wide range of institutions which care for and support children, the ill and the aged. Grahamstown Hospice has been but one of the many beneficiaries. The GBS Mutual Bank continues to display a caring and supportive role through its social responsibility programmes, believing that our investment in the local communities will secure a better future for all to enjoy.



*Pictured at the Aurora Golf Day held in Port Elizabeth were from left Scott Kevy; Brent Kevy; Andrew Bowker; David Pittaway and Tim Mason*



**T**he hundred and thirty first Annual General Meeting of Shareholders will be held at the Bank's Head Office at 18 – 20 Hill Street, Grahamstown on 24 July 2008, at 17h00.

## AGENDA

- (1) To confirm the minutes of the last Annual General Meeting.
- (2) To receive and consider the report of the Board of Directors and the Annual Financial Statements for the year ended 31 March 2008.
- (3) To elect Directors in the place of Messrs H.A. Long and P.G. Clayton who retire in rotation. Being eligible, they offer themselves for re-election and have been duly nominated.
- (4) To appoint Auditors and fix their remuneration.  
PricewaterhouseCoopers Inc., Registered Accountants and Auditors, offer themselves for re-election and have been duly nominated.
- (5) To amend Article 20 in the GBS Mutual Bank's Articles of Association by the addition of  
“(xvi) Notwithstanding anything contained in the preceding sub-paragraph a person appointed by the Board to be an Executive Director shall be a member of the Board from the date of such person's appointment until such time as the Board declares that such person has ceased to be a member.  
(xvii) A Director shall cease to be a member of the Board if 75% or more of the members of the Board, after such procedure the law may reasonably require, vote for the removal of such member from the Board.”
- (6) To amend Article 23 (ii) in the GBS Mutual Bank's Articles of Association by the deletion of the whole of the said Article and substitution thereof of the following:  
“Notice of the Annual General Meeting shall reflect that a copy of the abridged financial statements shall be furnished upon request and advise the website where a copy of the audited financial statements and reports thereon may be observed, as well as stating these documents will be available for inspection at the Bank's Head Office and branches of the Bank.”
- (7) To fix the remuneration of Directors in terms of Article 21 (vi).
- (8) To pass a resolution that donations for charitable purposes may be made as the Directors see fit out of available profits.
- (9) To transact such business as may be brought forward at the Annual General Meeting.

By order of the Board of Directors.

*A M VORSTER*  
*Managing Director*



## OFFICES, BRANCHES AND AGENCIES

### HEAD OFFICE:

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Manager: Karin Muller

### AGENCIES:

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#### *GAUTENG:*

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